

An aerial photograph of a coastal area. On the right, a dense green forest covers a peninsula. A small, dark-roofed building sits on a clearing, with a red car parked nearby. A white pier or dock extends into the dark blue water. In the center, a small, triangular island is completely covered in lush green trees. The water is a deep, dark blue.

Nordic State of Supply Chain Sustainability

How far Nordic companies have
come in measuring and reducing
greenhouse gas emissions in
their Supply Chain

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Optilon



Reducing Emissions in the Supply Chain is Crucial to Tackle Climate Change

Climate change is the biggest challenge of our time. To meet the Paris Agreement and limit global warming to well below 1.5 degrees, there is an urgent need to decarbonize global emissions. This has been a well-established fact for several years. And when it comes to driving sustainable transition on a global scale, companies of all sizes have an important role to play.

As a result of the increased focus on sustainability in recent years, companies and their management must adopt a new mental model for how to operate in a green economy. This is essential for being able to attract future customers, talents and investors – and ultimately for creating value in the long run.

Monitoring and reducing the climate impact need to be at the center of this new mental model. We have, therefore, asked 400 Nordic companies how they work with these issues. Our study shows that most companies (two out of three) already measure and report at least one out of the three Scopes of greenhouse gas emissions. But many seem to underestimate the share of emissions in their Value Chain (Scope 3 emissions).

Emissions from the Value Chain account for more than 70 percent of a company's total greenhouse gas emissions.¹ Underestimating the share of Scope 3 emissions thus implies a risk on a company's way towards operating in a green economy. This is something that needs to be highlighted to drive change on a large scale. Focusing only on emissions from their operations is not enough. Rather, companies could improve their climate footprint substantially by optimizing their Supply Chain.

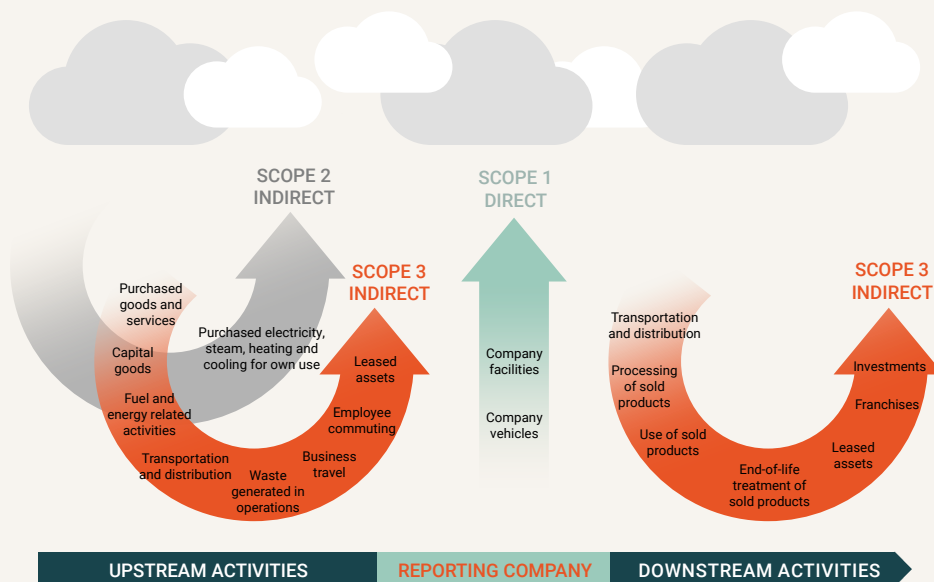
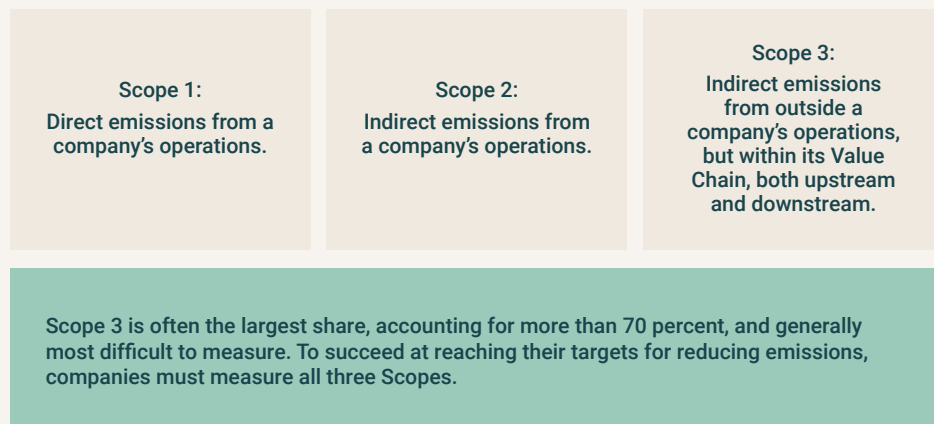
In this report, we will take a closer look at how Nordic small and medium-sized companies (SME:s) and large companies within different sectors work with targets for eliminating greenhouse gas emissions, what Scopes of emissions they measure and report, and how they work to reduce emissions in their Value Chain. We will also give our best tips on how to create a more sustainable Supply Chain.

Alis Hinrichsen

Thought Leader at Optilon

Facts About the GHG Protocol and Emissions Across the Value Chain

Greenhouse gas (GHG) emissions can be classified into three Scopes, which are widely used in reporting.



Source: EPA, Scope 3 Inventory Guidance and UN Global Compact, Scope 3 Emissions.



Key Takeaways

- 01 More than four out of five Nordic companies have set sustainability goals that they work towards.
- 02 Up to half of Nordic companies have set a target for eliminating emissions.
- 03 Four out of five Nordic companies with a target for eliminating emissions plan on doing so within the next ten years.
- 04 Of Nordic companies, 34% report all three Scopes of emissions, 24% report Scope 1 and 2, and 10% report Scope 1. But 26% of Nordic companies do not report any Scope at all.
- 05 Large companies are more likely than SME:s to set targets for eliminating emissions (61% compared to 49%). But SME:s have more ambitious time frames for when to reach these targets.
- 06 The most common reasons for Nordic companies to not report Scope 3 emissions are that it is too costly or that they lack the knowledge and time.
- 07 72% of Nordic companies are working with some initiative to reduce emissions in their Value Chain.
- 08 The most common initiative to reduce emissions in the Value Chain is to switch from fossil fuel to renewable energy sources.
- 09 More than half of Nordic companies do not place any requirements on their suppliers to reduce emissions.
- 10 There is no clear leader in sustainable Value Chains among the Nordic countries. For example, Finnish companies are most likely to measure and report Scope 3 emissions but set the least ambitious time frame for eliminating emissions.



Most Nordic Companies Have Sustainability Goals, but Fewer Have Targets for Reducing Emissions

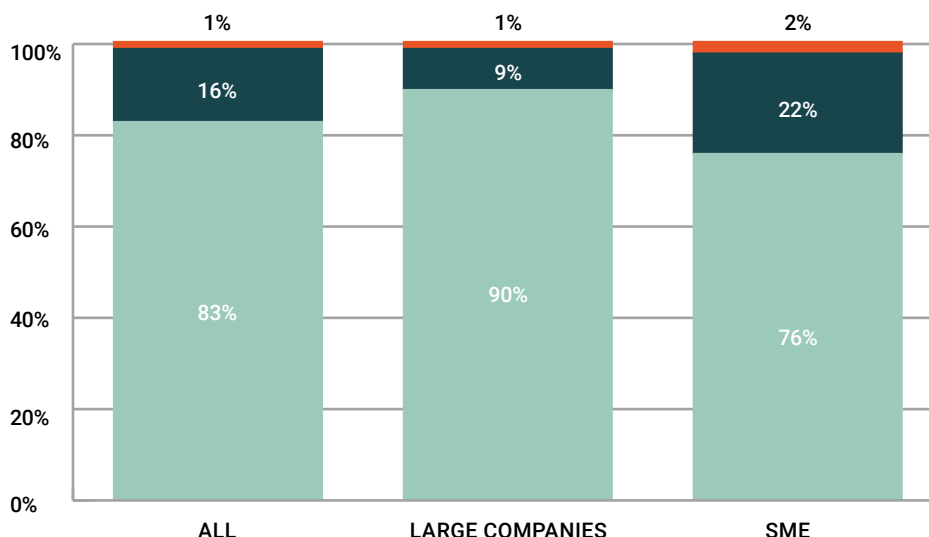
Sustainability goals, targets for eliminating greenhouse gas emissions and time frames.

Setting ambitious and structured sustainability goals is the first but critical step on a company's journey towards a more sustainable future. And as important as it is to have them, what is even more important is how they are designed and when a company is planning on reaching them.

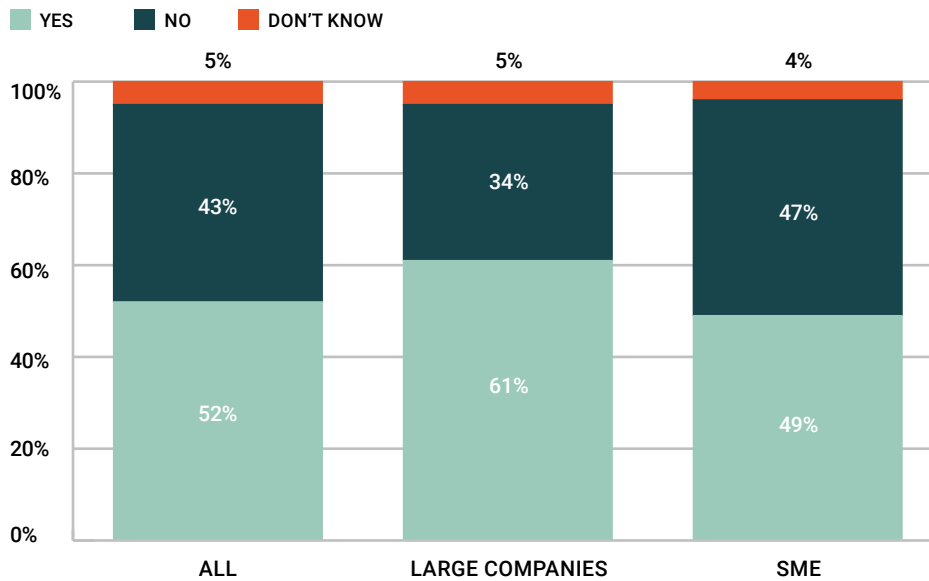
Our study shows that a vast majority (83 percent) of Nordic companies are working towards some sustainability goals. That number is high, but the result also indicates that there is still room for improvement. Only about half of Nordic companies have specific targets for eliminating emissions. The Nordic countries vary a lot over this, with Denmark in the lead (64 percent) and Norway lagging (42 percent).

DOES YOUR COMPANY HAVE SUSTAINABILITY GOALS THAT YOU WORK TOWARDS?

YES NO DON'T KNOW



DOES YOUR COMPANY HAVE A TARGET FOR ELIMINATING GREENHOUSE GAS EMISSIONS FROM YOUR BUSINESS?



COUNTRY

PERCENTAGE OF COMPANIES WITH TARGETS FOR ELIMINATING GREENHOUSE GAS EMISSIONS

Denmark	64%
Sweden	57%
Finland	47%
Norway	42%

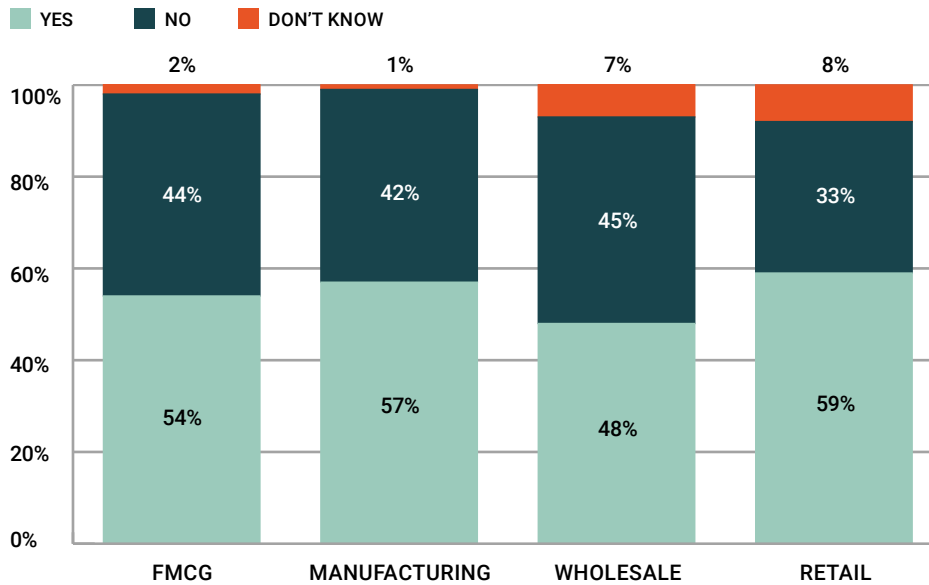
Looking at the time frame that companies have set for themselves, almost four out of five companies (81 percent) in Denmark, Norway and Sweden aim to reach their targets for eliminating emissions within the coming 10 years. Finnish companies lag far behind since only 64 percent of the companies there have set the same ambitious time frame.

The share of companies working towards some sustainability goals is especially high among large companies, with nine in ten having some goals. The corresponding number for SME:s is three in four. Large companies also lead SME:s in setting targets for eliminating emissions.

At the same time, SME:s are more likely to have more ambitious time frames, where 83 percent of all SME:s and only 72 percent of all large companies are planning to reach their targets within the coming 10 years. This can probably be explained by the fact that large companies tend to be less flexible decision-makers – and more likely to have a larger impact on the climate – while SME:s have lower emissions in general.

According to our study, the retail sector, compared to the manufacturing, wholesale, and FMCG sectors, has the lead both in setting targets for eliminating emissions and for time frames. For example, only 55 percent of FMCG companies that have targets for eliminating emissions plan on doing so within the next 10 years, compared to 93 percent of retail companies.

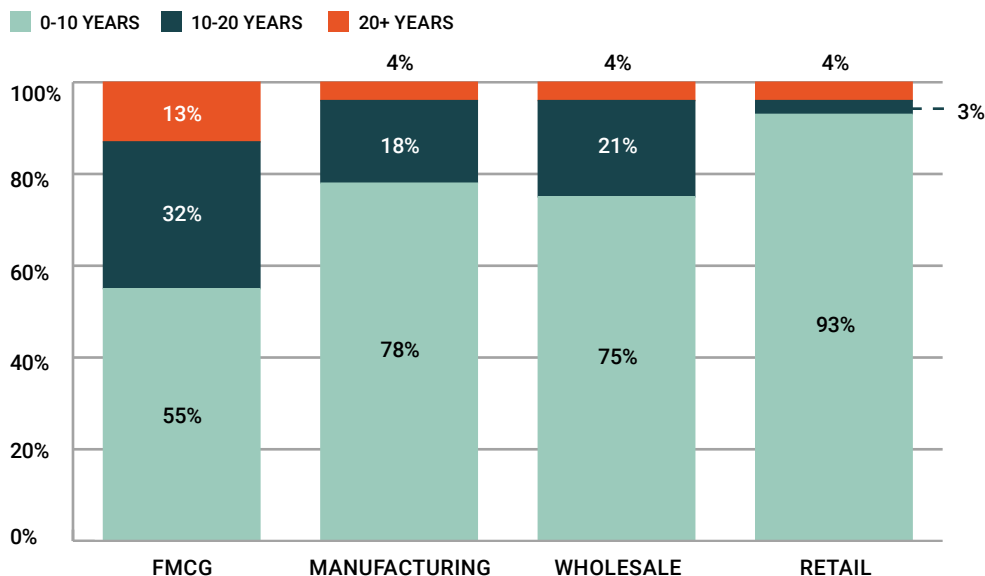
DOES YOUR COMPANY HAVE A TARGET FOR ELIMINATING GREENHOUSE GAS EMISSIONS FROM YOUR BUSINESS?



93%

of retail companies plan to reach their targets for eliminating emissions within 10 years. That compares to only 45% in the FMCG sector.

WHEN ARE YOU PLANNING TO REACH YOUR TARGET FOR ELIMINATING GREENHOUSE GAS EMISSIONS FROM YOUR BUSINESS?



Most Companies Measure All Three Scopes, but Underestimate the Share of Scope 3 Emissions

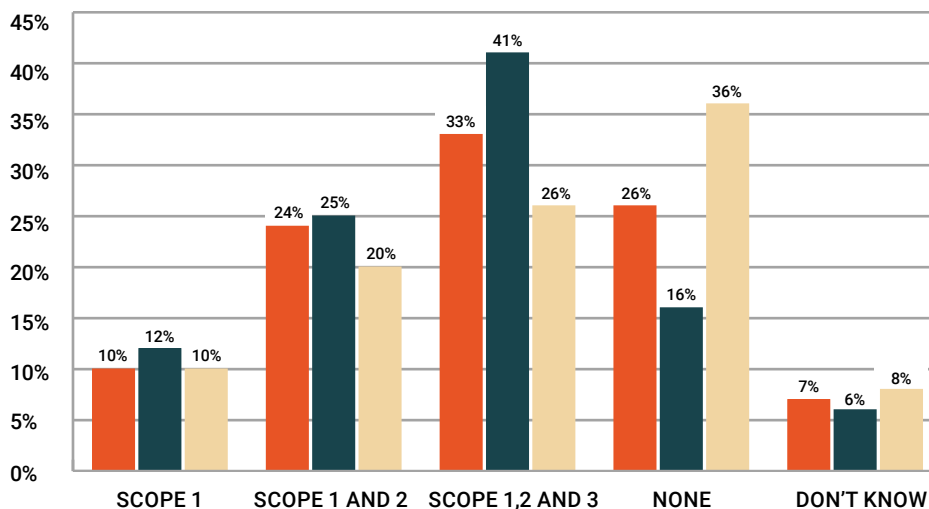
Scopes measured and reported by Nordic companies, and the share of emissions from the three different Scopes.

Matching climate ambition and climate action naturally requires measuring emissions and being transparent about progress. And since Scope 3 emissions represent the largest share of emissions for most companies, measuring these is even more important.²

The largest share, one-third, of Nordic companies measure and report all three types of emissions: Scope 1, Scope 2, and Scope 3. However, one in four say that they do not measure any Scopes of emissions at all, making it the second most common answer. Around two-thirds state that they are measuring and reporting at least some Scope of emissions.

WHAT TYPE OF GREENHOUSE GAS EMISSIONS DO YOU MEASURE AND REPORT?

ALL LARGE COMPANIES SME



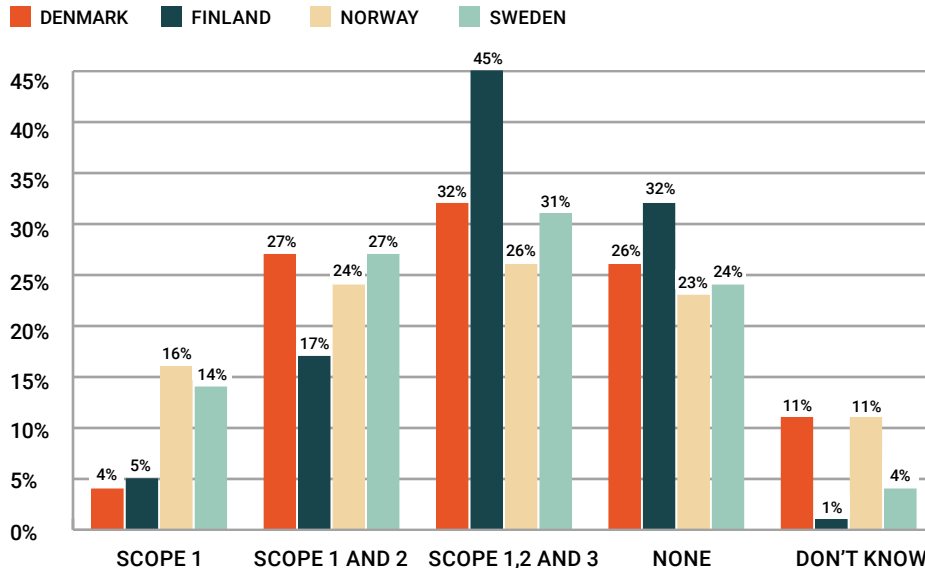
Large companies are much more likely to measure and report some Scope of emissions, with almost four out of five doing so, compared to around half of SME:s. This can probably be explained by the fact that having structured processes for monitoring a company's climate footprint is more common among larger companies.

4 in 5

large companies measure and report at least one scope of emissions. That can be compared to SME:s, where around half are doing so.

There are some differences in the measuring and reporting between the Nordic countries too, with Finnish companies leading the reporting of all three Scopes by far. But Finland also has the highest share of companies that do not measure or report at all.

WHAT TYPE OF GREENHOUSE GAS EMISSIONS DO YOU MEASURE AND REPORT?



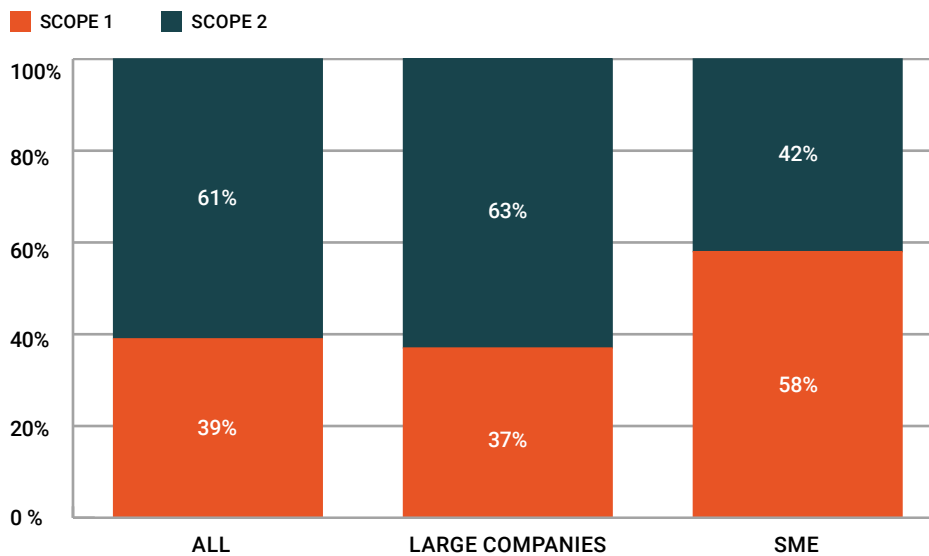
The average Nordic company that only measures Scope 1 and 2 estimates that 61 percent of its emissions are Scope 2. That can be compared to the average Nordic company measuring all three Scopes, saying that Scope 3 accounts for 61 percent of its emissions, with the first two Scopes roughly equal. Given that UN Global Compact estimates that more than 70 percent of companies' emissions belong to Scope 3, many companies seem to underestimate the size of their Value Chain emissions.

SME:s in particular seem to underestimate Scope 3 emissions. Those only measuring and reporting Scope 1 and 2 estimate Scope 1 to be the larger share of emissions. And those measuring and reporting all three Scopes estimate that Scope 3 only accounts for about half of the emissions. Larger companies that measure and report all three Scopes, however, estimate their emissions from Scope 3 to be around 70 percent, which is in line with the UN Global Compact estimate.³

³ UN Global Compact, Scope 3 Emissions

APPROXIMATELY WHAT PERCENTAGE OF YOUR EMISSIONS COME FROM
SCOPE 1, SCOPE 2 AND SCOPE 3, RESPECTIVELY?

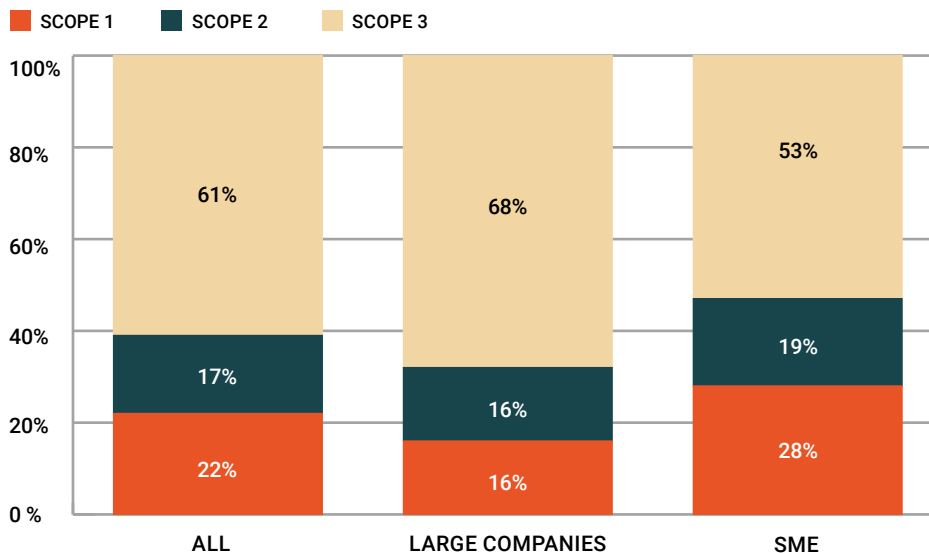
IF MEASURING SCOPE 1 AND 2



61%

is the estimated share of Scope 3 emissions among Nordic companies measuring all three Scopes, which is lower than the UN Global Compact estimate.

IF MEASURING SCOPE 1, 2 AND 3

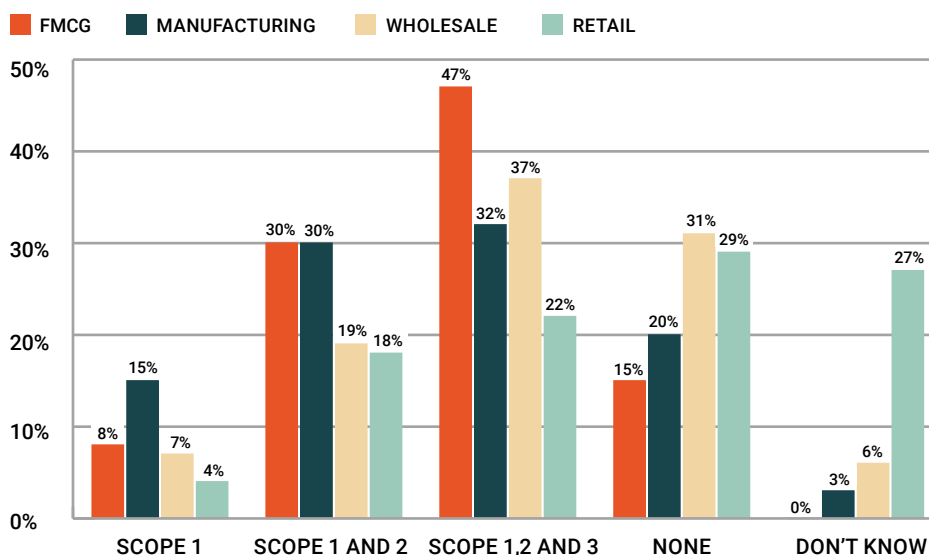




The estimated share of Scope 3 emissions differs much between the Nordic countries, which highlights a knowledge gap. On the one hand, Danish companies estimate them at 81 percent, while on the other hand Norwegian companies place them much lower at 46 percent. Swedish and Finnish companies estimate Scope 3 emissions to be around 60 percent.

The share of FMCG companies measuring and reporting all three Scopes of emissions is more than twice as large as the share of retail companies. The retail sector also stands out with the largest share, by far, of companies not knowing what Scopes of emissions they measure or report – which is surprising given the fact that retail companies have the lead in setting targets for eliminating emissions and in the time frame of doing so. This sector also has the second-highest share of companies not measuring any emissions at all, right behind wholesale companies. This result indicates that the level of knowledge of emissions varies a lot both within and between the sectors.

WHAT TYPE OF GREENHOUSE GAS EMISSIONS DO YOU MEASURE AND REPORT?



Complex Data Collecting and No Added Value for Customers – Main Reasons For Not Measuring Scope 3 Emissions

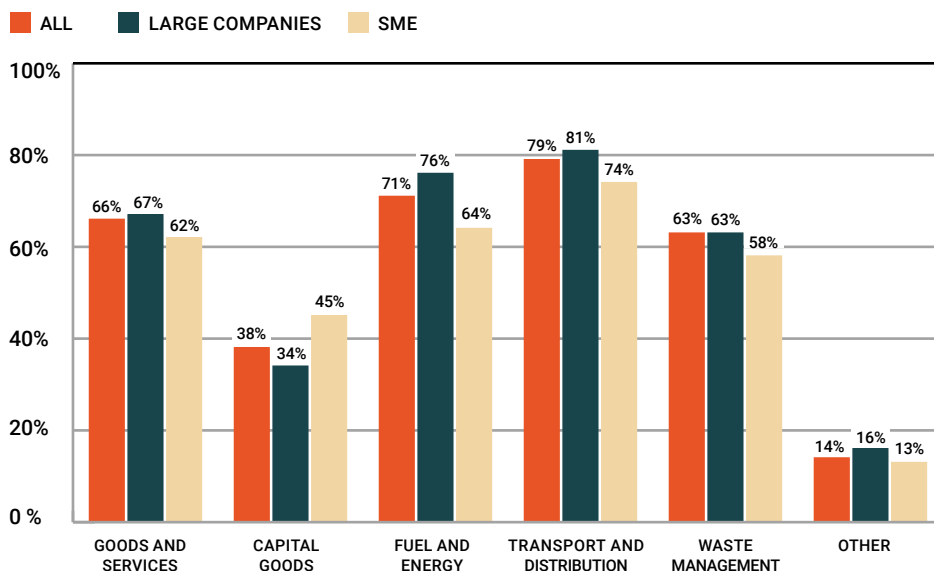
What Nordic companies include in Scope 3, and the reasons some companies do not measure these emissions at all.

Since Scope 3 emissions are indirect, meaning outside of the company, measuring them is made difficult by data availability. But if companies do not measure them, they will have no ability to influence their suppliers to reduce their emissions. This means that they miss out on crucial emissions reduction opportunities.

Among the Nordic companies measuring and reporting their Scope 3 emissions, it is most common to include transport and distribution (79 percent), closely followed by fuel and energy-related activities (71 percent), and purchases of goods and services (66 percent). In contrast, less than 40 percent include purchases of capital goods in their Scope 3 emissions, which could be more difficult to provide data for, given that capital goods often are used for many years.

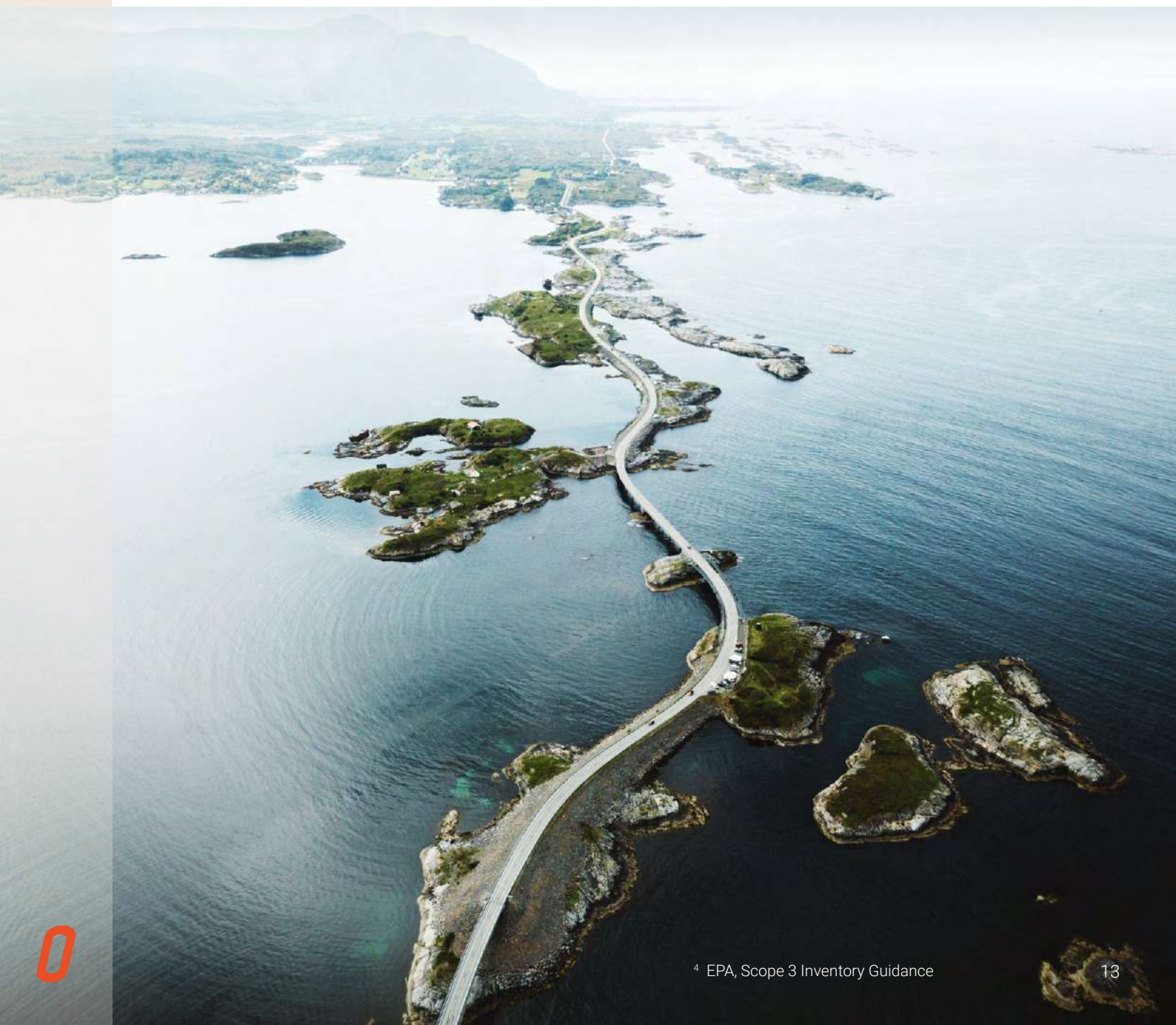
Except for including capital goods in Scope 3, SME:s generally include fewer categories in their Scope 3 emissions compared to large companies.

WHAT TYPES OF GREENHOUSE GAS EMISSIONS DO YOU INCLUDE IN SCOPE 3?



The Nordic companies that do not measure and report Scope 3 emissions most commonly state that it is because of difficulty to collect data. They find it too costly, time-consuming or lack the know-how. Companies find their Value Chain too complex, stating that they have many suppliers to consider. Nordic companies also perceive their customers to be uninterested in these reports, which mean that they see no added value from measuring them.

Some variation from country to country exists too. For example, Finnish companies refer to the fact that they are not required to measure and report Scope 3 emissions, while Norwegian companies refer to measuring emissions as being controlled “centrally” in the organization. As of today, the GHG Protocol does not require companies to measure their Scope 3 emissions.⁴



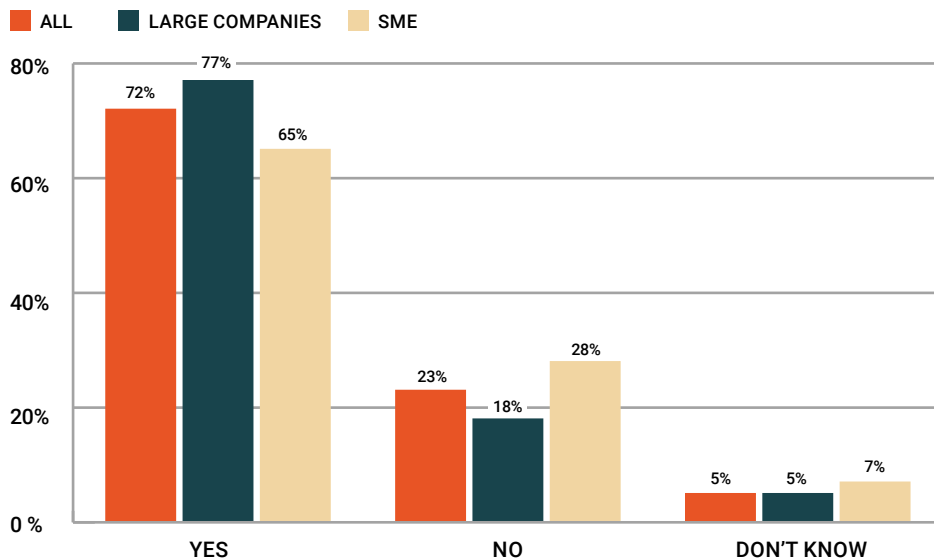
Most Companies Try to Reduce Value Chain Emissions, but Few Place Requirements on Suppliers

What initiatives companies are working with to reduce emissions from their Value Chain and how they are working with their suppliers.

For companies that overcome the complex process of measuring emissions in their Value Chain, the equally – if not more – complex process of reducing emissions remains. This process is particularly difficult because it involves influencing other companies to reduce their emissions.

Most Nordic companies – nearly three out of four – are working on some initiative to reduce emissions in their Value Chain. Comparing the four countries, Finland lags somewhat, with only 60 percent of Finnish companies working on some type of initiative, while the same numbers for Denmark, Norway, and Sweden are around 75 percent.

ARE YOU WORKING ON ANY INITIATIVES TO REDUCE GREENHOUSE GAS EMISSIONS IN YOUR VALUE CHAIN?



Nordic companies seem to focus on reducing the use of fossil fuels in their Value Chain, for example by supporting initiatives to switch from gas-powered vehicles to electric ones and to make energy use and heating in their Value Chain more efficient.

But some companies also state that they work with their suppliers to reduce emissions. In Norway and Sweden in particular, companies say they either place requirements on suppliers or work together with suppliers to reduce Value Chain emissions.

Still, of all Nordic companies asked, over half responded that they do not place any requirements on their suppliers.

53%

of Nordic companies do not place any requirements on their suppliers linked to reducing greenhouse gas emissions and climate impact.

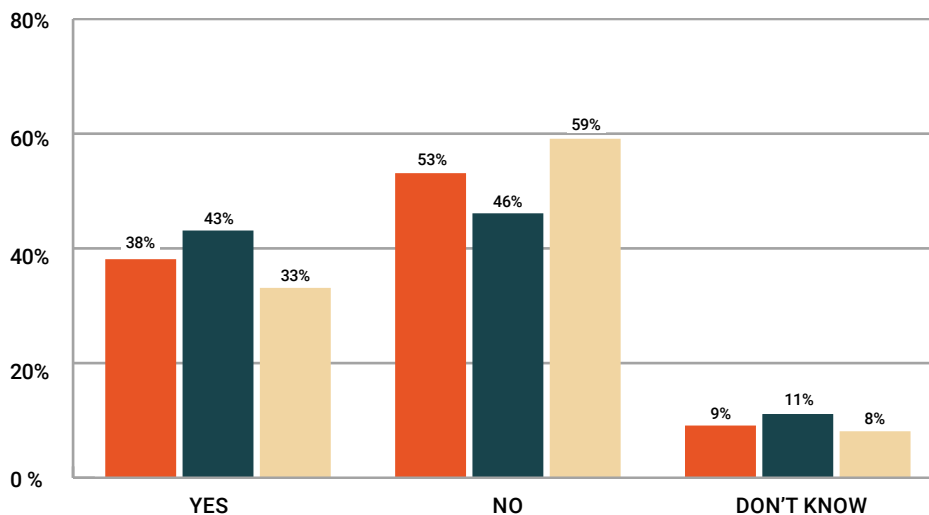
Large companies clearly lead SME:s in working to reduce Value Chain emissions (77 percent compared to 65 percent). Large companies are also more likely to place requirements on their suppliers, with 43 percent of large companies and only one in three SME:s doing it. This probably can be explained by the fact that larger companies are more likely to have the resources and bargaining power necessary to undertake these initiatives.

77%

of large companies are working on some initiative to reduce Value Chain emissions, which is far ahead of the 65% of SME:s that also are doing so.

DO YOU PLACE ANY REQUIREMENTS ON YOUR SUPPLIERS LINKED TO REDUCING GREENHOUSE GAS EMISSIONS AND CLIMATE IMPACT?

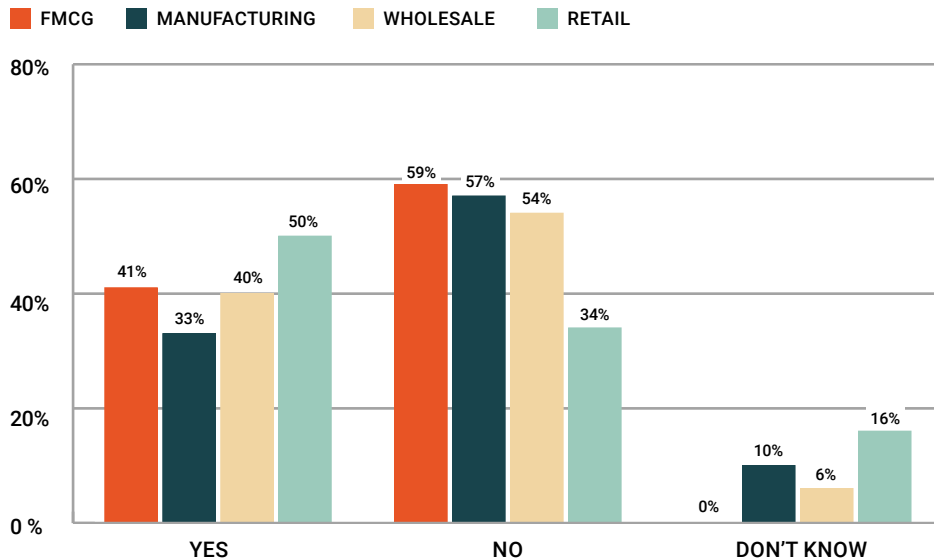
ALL LARGE COMPANIES SME



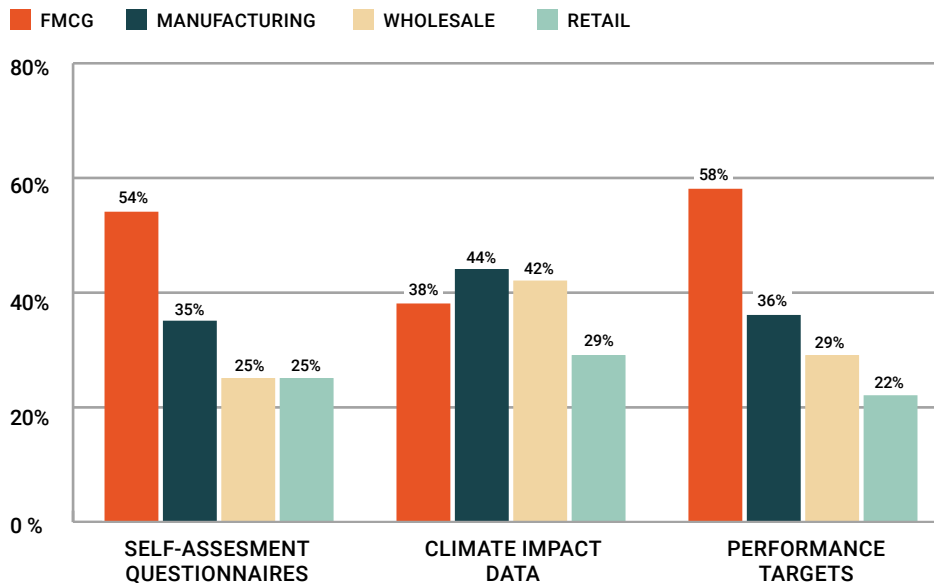
Among the Nordic companies that place requirements on their suppliers, many use data, self-assessment questionnaires or performance targets to ensure their progress towards reducing emissions and reaching targets. Data as a way of ensuring supplier progress is mostly found among large companies, and companies in the manufacturing and wholesale sectors.

In all sectors, around 70 percent or more work on initiatives to reduce emissions, but they differ on which methods they use. For example, half of the retail companies place requirements on their suppliers compared to only one-third of manufacturing companies. FMCG leads other sectors by far in using self-assessment questionnaires and performance targets to ensure that their suppliers make progress towards reduced emissions.

DO YOU PLACE ANY REQUIREMENTS ON YOUR SUPPLIERS LINKED TO REDUCING GREENHOUSE GAS EMISSIONS AND CLIMATE IMPACT?



HOW DO YOU ENSURE THAT YOUR SUPPLIERS MAKE PROGRESS ON REDUCING THEIR GREENHOUSE GAS EMISSIONS AND CLIMATE IMPACT?





5 Tips on How to Reduce Emissions in Your Supply Chain and Reach Your Sustainability Targets

Opton has identified several challenges that companies must overcome to reduce greenhouse gas emissions in their Supply Chain and reach their sustainability goals:

- Collecting and managing environmental and emissions data to follow up on initiatives or goals that companies have committed to, such as the Science Based Targets Initiative, B Corp Certification, or Scope 3 targets.
- Creating a robust system for analyzing data and using it as basis for decision making.
- Structuring ways of working in a unified way so that companies meet their ambitions to reach net zero or net positive, as well as national or international legislations.
- Meeting the future EU directive on waste that puts emphasis on extended product liability, which will create a need among companies to redesign their Supply Chain to ensure an efficient flow of products.

5 Tips on How to Reduce Emissions in Your Supply Chain

01 **Collect emissions and environmental data**

Collecting accurate and reliable emissions and environmental data in the Supply Chain is a complex challenge. Why? Because companies typically have limited access to these types of data beyond their most significant suppliers. They generally have poor visibility in this regard.

But to reduce your company's emissions and make progress towards your sustainability goals, you need to collect emissions and environmental data on everything from your choice of suppliers and the suppliers' locations, to where your customers and even end customers are located. You also need to collect data of all the activities in between these two areas, to get an end-to-end understanding of your company's actual environmental impact.

02 **Base decision making on data**

Your whole company, even top management and the board, needs to put a strategic emphasis on analyzing emissions and environmental data and using it as basis for decision making. The dataset should also be shared throughout the company and with key stakeholders. By having a data-driven approach, you and your stakeholders will be able to make informed and well-evaluated decisions. This, together with radical innovation, is just what your company needs to eliminate emissions and reach your targets in time.

03 **Use Supply Chain technology**

By combining data collection with Supply Chain technology, you can simulate your data. These simulations can then be used as basis for decision making. For example, if your company wants to change the sourcing, you will be able to see what the consequences will be before making the actual decision. In this way, your company avoids ending up in a situation where it must compromise on risk, cost, or service. All decisions must be made in a balanced way, to ensure a competitive and optimized business.

04 **Follow up on progress frequently**

Technology plays an important role in optimizing and reducing emissions in the Supply Chain, as it provides transparency and increases adaptability. Your company can continuously build a reliable environmental baseline, allowing you to gain insight, set actions and even optimize your performance on a day-to-day basis. Technology simply allows you to follow up on your progress towards your company's targets more frequently.

05 **Reduce impact with optimization**

Engaging with suppliers should be a fundamental aspect for all companies in order to reduce emissions and environmental impact in their Supply Chain. So should Supply Chain optimization. It has been a strategic priority within Supply Chain for many years, primarily used for reducing the cost of servicing customers, improving performance, and mitigating risk.

By connecting an optimization model to emissions and environmental data in the Supply Chain, your company can balance the design of your Supply Chain network. For example, a Supply Chain optimization model can be used for:

- Comparing different suppliers based on cost and greenhouse gas emissions as well as determining whether future sourcing routes should be local, regional, or global.
- Challenging your company's climate impact by evaluating which markets, production facilities, warehouses, and products that should be combined based on different constraints – such as emissions or other environmental parameters.
- Balancing emissions and environmental data, transportation costs, and distance aspects when searching for the optimal route alternatives.



About the study

Norstat conducted the study between May and June 2022 on the behalf of Optilon. 400 Nordic companies were interviewed, whereof 100 each in Sweden, Denmark, Finland, and Norway. The study included small and mid-sized as well as large companies, within the sectors of FMCG, retail, wholesale, and manufacturing. The interviewees work with either Supply Chain or sustainability-related tasks.

For the Swedish, Danish and Norwegian data sets, small and mid-sized companies are defined as companies with less than 250 employees and a turnover of less than or equal to EUR 50 million. Large companies are defined as companies with more than 250 employees and a turnover of more than EUR 50 million.

For the Finnish data set, small and mid-sized companies are defined as companies with less than 250 employees and a turnover of less than or equal to EUR 100 million. Large companies are defined as companies with more than 250 employees and a turnover of more than EUR 100 million.

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